



# Suter-Wallauch-Corbett & Associates

Government Relations

November 10, 2008  
Agenda Item 6.1

October 30, 2008

TO: Dennis Fay, Executive Director  
Alameda County Congestion Management Agency

FR: Suter, Wallauch, Corbett & Associates

RE: Legislative Update

**One more budget session:** On Monday GovArnie called the Big Six Pack back to his office for a dismal session that points to the downright lunacy of the Administration's accounting and prognosticating processes. To the surprise of nobody who is paying attention, state revenues will be short "much more" than the \$3 billion shortfall figure the Gov estimated for Wall Street last week. *Way* much more. Senate PresProTem Perata estimated the deficit to be in the range of \$10 billion, but we suspect even that big gulp is a low-ball figure. In a fit of understatement, Perata noted that "it will be a miserable November."

**Halloween Scene:** The Gov wants the "Old" legislature to return on November 5 to devise some magical solution to the epic disaster. He announced creation of a tax commission to evaluate possible changes to California's current tax structure. And, of course, he still has that big economic development fantasy in his back pocket. Folks, we simply are not going to economically develop ourselves out of this ugly fix anytime soon. Maybe the Governor should have adopted real economic development policies the minute he got here, instead of axing the vehicle license fee to the tune of now \$7 billion.

Our guess is that the legislature—the current one—will meet briefly at the end of next week, assess the situation with what limited and bollixed up information they have, and adjourn to do as much work as possible on a solution in the remaining weeks prior to the arrival of the New Legislature. At least the Oldies have more experience scratching their heads and throwing up their arms in despair than the Newbies arriving just in time for the un-jolly holidays.

**It's even worse than it looks.** The latest deficit deceit number doesn't even count the downward spiral of such accounts as PERS and STRS or the cost of prison health reform. And nobody really knows what to do about it.

- *There are NO all-cut scenarios that will work. Zero. Zilch. Nada.*
- *There are NO new revenue sources that can make up this much missing moolah.*

- *The most obvious candidate for reinstatement is the full-blown Vehicle License Fee, which may as well be instituted by the Old Legislature, as the outcry will scare the Newbies right outta town.*
- *There won't be time to deal with ballot initiatives that might bring in more dough, and voters don't trust the Oldsters or the Newbies enough to give them more taxing power, anyway. Still, somebody should try to fix the Split Roll one of these days.*
- *Even counting figments of our imagination such as massive cuts, the VLF reinstatement, institution of a split PT roll, or the feds actually giving California its fair share, the state couldn't be made whole by next year.*

***A few more depressing considerations:***

- *Property values are still falling, and property tax revenue will continue to fall, at least through the next quarter and probably beyond. Even rosy prognosticators say it could be a couple of years before the housing market comes back.*
- *Income tax revenues are falling, and don't look to the stock market to provide anything but a crash in California's capitol gains tax revenue.*
- *Gas prices are down—good for the consumer, but big hit to inflated fuel tax revenues.*
- *Prison Reform costs aren't factored into the \$10 billion estimate. We await the drop of the next federal gavel.*

***Gas Assumptions:*** The forecast in the 2008-09 budget was for the average fuel price to remain near \$3.20 per gallon. However, the average fuel price in California is now \$3 per gallon and expectations are prices will continue to drop. While this benefits consumers and transit operators, the price drop also reduces spillover dollars. The budget assumed the spillover calculation would yield \$1.4 billion in 2008-09. The budget also diverted all spillover dollars to general fund purposes. If spillover drops, the pressure will increase to re-examine the allocation of all Public Transportation Account funds.

***SLPP Guidelines:*** At today's CTC meeting in Riverside, the Commission held the first of two hearings on the draft guidelines for the State and Local Partnership Program (SLPP). The next hearing will be held at the CTC's December meeting in Sacramento. Since 95% of the SLPP funds will be allocated by formula and the implementing state is detailed, CTC staff found very few issues that must be addressed in the guidelines. Therefore, CTC staff is recommending that the Commissioners hold the northern California hearing on the first day of the meeting and adopt the guidelines the next day in order to accelerate this process.

The budget contains a \$200 million appropriation and implementation language for the SLPP in Prop 1B. In Alameda County, ACTIA will receive \$7.8 million, AC Transit will receive \$3.96 million, and BART will receive \$2.56 million. The Bay Area Toll Authority is also eligible to draw down \$12.9 million this fiscal year.

**Another Commission:** Speaker Bass joined the Governor today in creating the bipartisan Commission on the 21<sup>st</sup> Century. The Executive Order calls for a 12 person Commission with the Gov appointing 6 members and the Speaker and Pro Tem appointing 3 members each. The first meeting will be held some time in November and a report must be submitted to the Governor and Legislature by April 15, 2009.

The Commission is charged with making recommendation on modernizing the state budget process and revenue system. The goal is to make recommendations that would stabilize state revenues and reduce revenue volatility in order to promote long term economic prosperity. This Commission likely will not propose anything new, but maybe this Commission will succeed where prior commissions and blue ribbon panels have failed – in actually getting the recommendations in print and enacted.

**CARB Regulations:** December will be a busy month for the California Air Resources Board (CARB). Early last week staff presented to the Board the AB 32 Draft Scoping Plan, which is a multi-volume plan on how the state plans to reduce greenhouse gas emissions. Late last week CARB staff also released proposed guidelines to regulate the emissions of all heavy-duty diesel trucks. The goal of this plan is to accelerate compliance with federal emission standards for all heavy-duty trucks and buses operating in California. Both of these controversial measures are scheduled for adoption at CARB's December meeting.

**AB 32 Scoping Plan:** The California Air Resources Board released the final draft of the AB 32 Scoping Plan. CARB staff will conduct an informational hearing on the Scoping Plan at the November Board meeting, and adoption of the plan is expected at the December meeting.

The land use and transportation related elements of the plan are contained in Appendix C. The land use and transportation plan will rely heavily on SB 375 and the creation of regional greenhouse gas reduction targets and incorporating the Sustainable Communities Strategy into the Regional Transportation Plan.

The plan highlights the importance of pricing mechanisms to achieve the SB 375 reduction goals. Specifically calls for the use of congestion pricing and indirect source rules. The report also highlights the need for employee transit incentives, telework programs, car sharing, and parking policies.

In addition, the plan states that enhanced transit service combined with incentives for land use development that provides a better market for transit is key to reaching regional goals. The report points to the federal reauthorization of SAFETEA-LU as a prime opportunity to pursue additional transit funding. Unfortunately, the Plan does not address the Administration's budget decisions as having the single largest impact to transit funding in California.

Any comments you wish to submit must be received by CARB staff by 12:00, Wednesday December 10. For additional information on the report and appendices can be found at the following link.

<http://www.arb.ca.gov/cc/scopingplan/document/scopingplandocument.htm>